
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
FINANCE COMMITTEE**

MINUTES OF MEETING

June 16, 2006

The Finance Committee met on Friday, June 16, 2006, in the Lincoln Plaza Building at 400 Q Street, Sacramento, California.

The meeting was called to order at 9:30 a.m. and the following members were present:

Robert Carlson, Chair
Karen Greene Ross for Steve Westly, Vice Chair
James Zerio for Philip Angelides
Marjorie Berte
Tony Oliveira
Kurato Shimada
Charles Valdes

Other Board Member present:
None

AGENDA ITEM 2 – APPROVAL OF APRIL 14, 2006, MEETING MINUTES

Kurato Shimada reported the minutes reflected he was present for the April meeting. Mr. Shimada requested that his name be removed as a present member because he was not in attendance for that meeting.

The minutes were then approved by the Committee pending that change.

AGENDA ITEM 3 – CHIEF AUDITOR'S REPORT

Larry Jensen, Chief, Office of Audit Services, presented a matrix reflecting the status of various activities occurring within the Office of Audit Services to the Committee as an information item.

Staff was requested to submit a separate report to the Board of Administration before the September 2006 meeting on financial statement auditor independence and industry trends.

AGENDA ITEM 4 – OFFICE OF AUDIT SERVICES – QUARTERLY STATUS REPORT

Margaret Junker, Senior Management Auditor, presented the Office of Audit Services – Quarterly Status Report, as of March 31, 2006, to the Committee as an information item.

AGENDA ITEM 5 – RISK ASSESSMENTS

Phyllis Miller and Bruce Smith, Senior Management Auditors, and Mr. Jensen presented Risk Assessments to the Committee as an information item.

AGENDA ITEM 6 – BIENNIAL AUDIT PLAN

Mr. Jensen presented the Biennial Audit Plan to the Committee as an action item.

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board accept staff's recommendation to approve adoption of the Biennial Audit Plan for fiscal years 2006-07 and 2007-08.

AGENDA ITEM 7 – OFFICE OF ENTERPRISE COMPLIANCE STAFFING PLAN

Sue Kane, Assistant Division Chief, Office of Enterprise Compliance, presented the Office of Enterprise Compliance Staffing Plan to the Committee as an information item.

AGENDA ITEM 8 – COMPLIANCE OFFICE REPORT

Sherry Johnstone, Chief Compliance Officer, presented a matrix that reflected the status of various activities occurring within the Compliance Office to the Committee as an information item.

AGENDA ITEM 9 – THREE-YEAR BUSINESS PLAN 2006-07 THROUGH 2008-09 (SECOND READING)

Susan Garrett, Chief, Strategic Management Services Division, presented the second reading of the Three-Year Business Plan 2006-07 through 2008-09 to the Committee as an action item.

Ms Garrett introduced a new objective, numbered 12.3, in the Health portion of the plan. Additional comments from the Committee regarding the objectives related to the healthy lifestyle choices, objective 11.1 and 11.2, resulted in a request for review and modification to provide more robust objectives in this area.

Chair advised the Committee that he would accept a motion to approve the plan as a second reading excluding objectives 11.1, 11.2, and 12.3.

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board accept approve the second reading of the CalPERS Three-Year Business Plan 2006-07 through 2008-09, with the exception of objectives 11.1, 11.2, and 12.3, which will be brought back to the Committee after modification for final approval at the September 2006 Finance Committee meeting.

AGENDA ITEM 10 – INFORMATION TECHNOLOGY SERVICES STATUS REPORT

Gene Reich, Assistant Executive Officer, Information Technology Services Branch, presented a matrix that reflected the status of the Pension System Resumption (PSR) Project, Forte Migration Project, and EMBARC Project to the Committee as an information item.

AGENDA ITEM 11 – BUDGET AND EXPENDITURE REPORT FOR THE THIRD QUARTER OF FISCAL YEAR 2005-06

Lyn Vice, Assistant Chief, Fiscal Services Division, presented the Budget and Expenditure Report for the Third Quarter of Fiscal Year 2005-06 to the Committee as an action item.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED**, the Committee recommended the Board accept and approve the transmittal letter and submission of the Budget and Expenditure Report through the third quarter of FY 2005-06 to the Joint Legislative Budget Committee, fiscal committees of the Legislature, State Controller, and Department of Finance, in accordance with the Budget Act of 2005, and to the Legislative Analyst's Office, State and Consumer Services Agency, and the Office of the Legislative Counsel.

AGENDA ITEM 12 – CURRENT BUDGET ISSUES

Ms. Vice presented Current Budget Issues to the Committee as an information item. Ms. Vice advised the Committee that the Legislature has approved two spring finance letters authorizing additional resources for CalPERS related to Medicare Part D and GASB-related efforts and adopted budget control language that directs CalPERS to apply for the retiree drug subsidy for 2007 in the same manner application was made in 2006.

AGENDA ITEM 13 – ASSISTANT EXECUTIVE OFFICER REPORT

Curtis Howard, Assistant Executive Officer, Administrative Services Branch, presented a matrix that reflected the status of the Independent Review of the

Contract Process, the Emergency Response Plan, and the Accounting Action Plan to the Committee as an information item.

AGENDA ITEM 14 – PROPOSED SEPTEMBER 2006 AGENDA

Curtis Howard presented the September 2006 draft agenda to the Committee as an information item.

AGENDA ITEM 15 – PUBLIC COMMENT

There were no public comments.

The next Finance Committee meeting is scheduled for September 8, 2006, in Sacramento, California.